

Bean Counter's So, you want to learn Bookkeeping ! Chart Of Accounts

Hello it's Dave again. For those of you that took my free So you want to learn Bookkeeping! Introductory Tutorial or any of my other bookkeeping tutorials we've already met. For those who haven't, I'm a graduate of the University of Tennessee (Go Vols) and a Bean Counter (accountant) with over 30 years of experience.



Who is this Course for ?

This bookkeeping tutorial and course is geared to business owners, managers, and individuals who have not had any formal bookkeeping training or on the job experience and need or want to learn the basics of bookkeeping and accounting. Oh by the way, you can teach an "ole" dog new tricks. In other words, this bookkeeping tutorial is for beginners (newbies) or those needing a quick refresher and is only an introduction into the world of bookkeeping and accounting. They say a little knowledge is a dangerous thing. Well, my goal is to make you dangerous.

Course Description



Prior Knowledge Needed

None ! But, if you need to "brush up", check out my [Beginning Bookkeeping Tutorial](#)
[So, you want to learn Bookkeeping !](#)

Cartoons are used to add a bit of humor to your Learning Experience. Who says that Learning Can't Be Fun ? Not Me !



What's Covered ?

This **Introduction** defines, explains, and discusses what the chart of accounts is, how it's organized by major account types, balance sheet and income statement accounts, and its purpose. In addition, codes are introduced and defined.

Lesson 1 - How Codes Are Used in Conjunction with Building The Chart Of Accounts introduces you to how to use account numbering or account identifiers to uniquely identify the accounts that make up the chart of accounts.

Lesson 2 - Types of Coding Systems defines, explains, and illustrates some of the different types of coding systems that are used in conjunction with the chart of accounts.

Course Description

Lesson 3 - Importance of the Chart Of Accounts discusses and explains why the chart of accounts is so important and what needs to be considered in planning and setting up a good chart of accounts.

Lesson 4 - Show Me presents an example of commonly used Balance Sheet and Income Statement accounts that are included in a Chart Of Accounts as a guide to use in developing your own. Also, you're introduced to how the chart of accounts is used with accounting and bookkeeping software and what to look for, and where to find additional help.

Lesson 5 - Review and Final Thoughts summarizes what we covered and what you should now know about the Chart Of Accounts.

Learning Objectives

After completing this course, you should know or be able to perform the following:

What the chart of accounts is.

A chart of accounts can range from very simple to very complex.

What codes are and how they're used to assign information and build a Chart Of Accounts.

What to consider and think about when setting up a chart of accounts.

How the chart of accounts is closely related to the Balance Sheet and Income Statement.

Where to find samples and additional help.

If nothing else, the

importance

of setting up a good chart of accounts for your business !!!!!

Bookkeeping Videos and Final Exams

Bookkeeping Videos and Tests are included in the Interactive Ebook Version of the tutorial.



Let's begin our Journey into the World Of Bookkeeping's Chart Of Accounts !

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The Neglected Red-Headed Step-Child !!!!!

Why Would I Say This ?

In my opinion, this topic like the red-headed step-child, is not given the attention and respect it deserves. Many of the textbooks and courses that I've looked at "gloss" over the chart of accounts by giving a definition and throwing in a simple example. This tutorial is my attempt to give this topic the respect that it is due. Of course we're going to define and use examples. Unlike the others though, like learning about a clock, we're not only going to learn to tell time, but also what makes the clock tick.

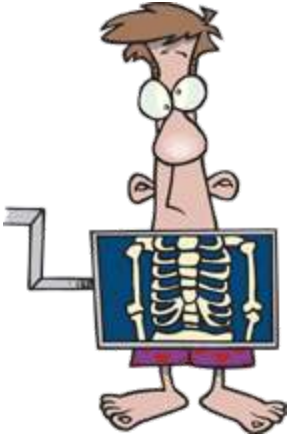
I, myself was almost guilty of neglecting this topic. I caught myself and decided I needed to treat this topic with the respect that it deserves and made this tutorial.

What Is The Chart Of Accounts ?

The Chart Of Accounts

is a listing of all the individual **accounts** in the **general ledger** that contains the account's name, a brief description of the account, and optional other identifiers (codes) or a coded account number assigned to aid in recording, classifying, summarizing, and reporting transactions.

Your accounting system is built around this skeleton list of account names called the chart of accounts and is organized by the **types of major accounts**. The accounts you set up are tailored for your particular type of business.



What's an **Account** ?

An **Account** is a separate record for each type of asset, liability, equity, revenue, and expense used to show the beginning balance and to record the increases and decreases using debits and credits for a period of time and the resulting ending balance at the end of the period. All the Individual Accounts make up or become a part of the **Chart Of Accounts**.

What are the **Major Type of Accounts**, how are they normally **organized**, and what are some examples ?

If you don't already know, the major types of accounts are:

Assets

Formal Definition: The properties used in the operation or investment activities of a business.

Informal Definition: All the good stuff a business has (anything with value). The goodies.

Includes: Cash, Receivables, Investments, Buildings, Land, Equipment, Vehicles, etc.

Liabilities

Formal Definition: Claims by creditors to the property (assets) of a business until they are paid.

Informal Definition: Other's claims to the business's stuff. Amounts the business owes to others.

Includes: Payables, Notes, Loans, Mortgages, etc.

Equity

Formal Definition: The owner's rights or claims to the property (assets) of the business. Informal

Definition: What the business owes the owner(s). The good stuff left for the owner(s) assuming all liabilities (amounts owed) have been paid. Includes: Owner's Capital Invested and the Accumulated Profits or Losses for the business since it began.

Revenue

Formal Definition: The gross increase in owner's equity resulting from the operations and other activities of the business. Informal Definition: Amounts a business earns by selling services and products and investing. Amounts billed to customers for services and/or products. Includes: Sales of Goods and Services - revenue directly related to daily operations. Other Income - revenue not directly related to daily operations such as Interest and Dividends.

Expenses

Formal Definition: Decrease in owner's equity resulting from the cost of goods, fixed assets, and services and supplies consumed in the operations of a business. Informal Definition: The costs of doing business. The stuff we used and had to pay for or charge to run our business. Includes:

Cost of Goods Sold - the cost of the products being sold by the business. Operating Expenses - the expenses related to daily operations such as rent, advertising, insurance, etc. Other Expenses - the expenses not directly related to daily operations such as Interest and Financing.

How Are They Organized ? The chart of accounts is typically **organized** and listed in a special order. Balance Sheet Accounts are listed first followed by the Income Statement Accounts.

Note: This USA Order may vary depending on your country.

Balance Sheet Accounts

- Assets
- Liabilities
- Owner's (Stockholders') Equity

Normally, the order of the listing of the asset and liability accounts is based on liquidity. The most liquid accounts are listed first. Thus, when listing assets, cash is listed before accounts receivable which comes before inventory. Likewise for liabilities, accounts payable comes before notes payable because accounts payable are normally paid before notes payable.

Income Statement Accounts

Revenue and Expenses

Introduction

- Revenue
 - Operating Revenues
 - Non-operating Revenues and Gains
- Expenses
 - Cost Of Sales
 - Operating Expenses
 - Non-operating Expenses and Losses

Revenue and expense accounts tend to follow the standard of first listing the items most closely or directly related to the operations of the business. The revenues (sales) resulting from normal operations are listed before revenue or income resulting from non-operating sources. Likewise, the operating costs and expenses that are most closely related to the operations of the business are listed before the non-operating expenses. Cost of Sales is listed first followed by operating expenses and then the non-operating expenses. The operating expenses are often grouped into additional categories such as Selling Expenses and General and Administrative Expenses. There are no rigid rules as to the order that the operating expenses are listed within a category.

What Are Sub-Accounts ?

Sub-accounts are used to divide or break a main account into further "mini" accounts to identify, report on, and manage specific divisions of an account. The main account is also referred to as the parent or summary account and the subdivided accounts are called the children. The balance of the main account (parent / summary) is derived from the sum of the balances of all the sub-accounts (children). For example, if you wanted to manage the various components of Motor Vehicle expenses, you could create Sub-Accounts for the Motor Vehicle expenses. An example would be as follows:

Motor Vehicle Expenses (Main - Parent - Summary Account) 210-000

Sub-Accounts (Children Accounts) of Motor Vehicle Expense:

Fuel and Oil 210-010

Repairs 210-020 License Fees 210-030

Introduction

What's the **General Ledger** ?

The **General Ledger** is just a book (manual system) or computer file (computer system) containing all the account balances and activity (increases and decreases) for all of a business's assets, liabilities, equity, revenue, and expense accounts that are included in the business's chart of accounts. The General Ledger has an account for each account that is listed in the chart of accounts.

Sample General Ledger Account

Account Name:			Account Number:		
Date	Description	Post Ref.	Debit	Credit	Balance

What's the **purpose** of a Chart Of Accounts ?

It's purpose is to establish a framework for classifying, recording, and reporting on your business transactions and to use as an aid (reference) for looking up accounts and their associated account numbers when recording transactions. In a nutshell, the **Chart Of Accounts** is simply an organized and **coded listing** of all the individual accounts used to record your business transactions and that also makeup the General Ledger.

What do we mean by **Coded** ?

First let's define what a code is. A code is numbers, letters, or a combination of letters and numbers (alphanumeric) that is used to represent, identify, and organize **something**. Often, you will see the something referred to as an **object**. A simple example is an abbreviation for the states that comprise the good ole USA. My state's code is TN which stands for Tennessee. Other examples of common codes that you encounter are area codes used with our telephone system and zip codes used with our postal system or similar codes for your country. The code itself, the numbers, letters, or combination of letters and numbers is **usually** meaningless. The code gets its meaning when it is assigned or related to something (object) such as a document (invoice number), employee, product, account, etc.

Introduction

In accounting, one of the main uses of codes is to identify accounts. Account Codes can be numeric (numbers), alpha (letters of the alphabet) , or alphanumeric (combination of numbers and letters). Setting up and assigning your codes to the accounts, whether for a manual or computerized system, is the **most critical** and often the most time consuming and confusing step in establishing and setting up your chart of accounts.

Good codes display the following characteristics:

- **Uniformity** Uniformity means always using the code in the same way every time you use it. Dates are often represented differently by different countries. If dates were to be used as a code in the USA, they should always be formatted the same way such as xx/xx/xxxx (month, day, and year) or the commonly used format for your country.
- **Uniqueness** Each code and/or code segment should uniquely identify only one thing. If you were going to use an employee's initials as a code to identify your employees you would probably eventually have a problem if you had any employees with the same initials. On the other hand, if you used their social security number you wouldn't encounter any problems because everyone has a unique social security number.
- **Expandable or Adaptable To Change** Things change and your coding system should be designed to be able to easily expand and change to handle adding new codes (accounts, departments, products, employees, etc.) and reporting requirements as your business grows without having to completely revise your coding system. Applying this characteristic to a chart of accounts would require your account coding system to have flexible user defined accounts that allows unlimited addition of new accounts.



What's Next ?

Using Codes



Using Codes

How Codes Are Used in Conjunction with Building The Chart Of Accounts ?

As coding applies to bookkeeping and accounting we just mean that we assign a name, number (or both), description, and group or category identifiers to each unique account.

What is used to identify what groups or categories an account belongs to and define an account ? The **account numbering system** itself or **assigning groups or category identifiers**. What **groups or categories** are the accounts assigned to using account numbering (blocks of numbers) and/or account identifiers ? As a minimum, the Chart of Accounts is customarily assigned to and arranged in the group / category that we discussed earlier. This group, known as the **Type Of Account**, is comprised of Assets, Liabilities, Owners' Equity, Revenue, and Expense accounts.

Account Numbering System

A simple or elaborate numbering system composed of numbers, alphabetic characters, or a combination of both (alphanumeric) is often used in setting up a chart accounts. Digits in the **account number** are used to indicate the type of account, a location of the company, a division of the company, a department of the company, etc. The account number could end up to be quite lengthy and composed of many digits representing the type of account, location, division, department, etc. In other words we define accounts using ranges (blocks) of numbers. These number ranges (blocks) are used to define major account categories and sub-categories by assigning these numbers to each account that belongs to a unique group or category range.

Block codes used with numbers is one of the **most frequent coding methods** used when **setting up a manual or computerized charts of accounts**. Let's take a look at a simple example to help clarify what we're talking about.

Example of a Simple Account Numbering System Using Block Coding with Numbers

Eight Blocks of Numbers have been used to assign account groups based on the types of accounts in the following example.

Block Assigned	Type Of Account
100-199	Assets
200-299	Liabilities
300-399	Owner's Equity
400-499	Revenues
500-599	Cost Of Goods Sold
600-699	Expenses
700-799	Other Revenue
800-899	Other Expenses

By separating each account number by several numbers, room is provided for adding additional new accounts. Each of our blocks allow a maximum of 100 accounts.

The first digit (number) represents the type of account (asset, liability, etc.). If the first digit (number) is a 1, this account is an asset. If the first digit (number) is a 2, it is a liability and so on.

The block assigned for the type of account is used to assign account numbers to the individual accounts.

Examples Using the 3 digit numbers code structure:

- The account Cash which is an asset account would be assigned a number using the block 100-199. 100 - Cash
- The account Accounts Payable which is a liability account would be assigned a number using the block 200-299. 200 - Accounts Payable
- The account Sales which is a revenue account would be assigned a number using the block 400-499. 400 - Retail Sales

We would continue this process for all the individual accounts that are needed or required for recording and reporting your business transactions.

Account Identifiers or Attributes

Using Account Identifiers or Attributes is another method of coding that may be used for developing your chart of accounts. Account Identifiers or Attributes are unique building blocks or pieces of information used to design and set up the chart of accounts. Each block or piece attaches additional identifying information to the account. Accounts are defined by assigning identifiers such as a division code, department code, type of account code (asset, liability, equity, revenue, expense), account group code (current asset, current liability, etc.) sequence code (order the account appears in financial reports), etc. that are used to group and report on different segments or activities of the business and provide information for formatting reports.

Assigning Attributes To Accounts

Let's take a look at a couple of possible account structures assigning the attribute department to our accounts.

For our illustration, we're going to use the following accounts:

- 5010 Wages
- 5015 Fringe Benefits
- 5020 Materials & Supplies

For our department (attribute) we're going to use the following three manufacturing departments:

- 01 - Machining Department
- 02 - Assembly Department
- 03 - Inspection Department

Instead of building just one account structure, we're going to illustrate two possibilities.

Our Two Possible Account Structures

Structure 1

Account	Account Name	Department Number	Department Name
5010	Wages	-01	Machining Department
		-02	Assembly Department
		-03	Inspection Department
5015	Fringe Benefits	-01	Machining Department
		-02	Assembly Department
		-03	Inspection Department
5020	Materials & Supplies	-01	Machining Department
		-02	Assembly Department
		-03	Inspection Department

Structure 2

Codes

Department Number	Department Name	Account Number	Account Name
01	Machining Department	-5010	Wages
		-5015	Fringe Benefits
		-5020	Materials & Supplies
02	Assembly Department	-5010	Wages
		-5015	Fringe Benefits
		-5020	Materials & Supplies
03	Inspection Department	-5010	Wages
		-5015	Fringe Benefits
		-5020	Materials & Supplies

Both structures present a parent and child relationship and a summary and detail relationship.

Account 5010-01 is Wages for the Machining Department using Structure 1.

Account 01-5010 is Wages for the Machining Department using Structure 2.

Can you tell me what's the difference between the two account structures ?

Structure 1 uses the account portion 5010 as the parent portion of the complete account and the 01 (department) as the child. Structure 1 provides us with a summary of all our expenditures by account expense identifier such as wages, fringe benefits, etc. by summing the amounts charged to each department.

Structure 2 is set up using the 01 (department) as the parent portion of the complete account and the 5010 as the child. Structure 2 provides us with a summary of the total charges for each of our departments by summing the individual charges (expense identifiers) such as wages, fringe benefits, etc. and groups all the expenses by department.

Codes

If I want to know the total that my company spends for each expense category (wages, fringe benefits, etc.) what structure would I favor ? Hopefully, you answered Structure 1.

What structure would I favor if I was mainly concerned with controlling my individual expenses by departments ? Did you say Structure 2 ? I hope so.

Can I have it both ways ? Both structures provide you with the capability to prepare a Departmental Report with all the expenses listed for each department or to prepare a summary report of your expenses by type such as total wages, total fringe benefits, etc. You would, however, have to perform an analysis depending on the structure that you chose.

What do I mean ?

Assuming we chose Structure 1 that groups the accounts by expenses type how would I prepare a departmental report ?

How about if we made a worksheet that listed each expense category vertically down our page and listed our departments horizontally across our page ? Would this do the trick ?

Expense	Departments			
	Total	Department 1	Department 2	Department3
Wages	xxxx	xxxx	xxxx	xxxx
Fringe Benefits	xxxx	xxxx	xxxx	xxxx
Materials & Supplies	xxxx	xxxx	xxxx	xxxx

If we had chosen Structure 2, we could prepare a similar table that would summarize our expense categories.

Note:Report Generators are provided with good accounting software programs that would allow us to prepare reports such as the above automatically instead of having to perform a manual analysis of our financial information.

Just to see if you're on your toes. What if I wanted to include budgeted amounts in my account structure. Can we accomplish this ? We could accomplish this by assigning an additional attribute to our chart of accounts that identified an account as a budget account or an actual account. Let's use an **A** to identify our actual accounts and a **B** to identify our budgeted accounts.

A sample of our new chart of accounts

5010-01-**A Actual** Wages Department 1

5010-01-**B Budgeted** Wages Department 1

5010-02-**A Actual** Wages Department 2

5010-02-**B Budgeted** Wages Department 2

5010-03-**A Actual** Wages Department 3

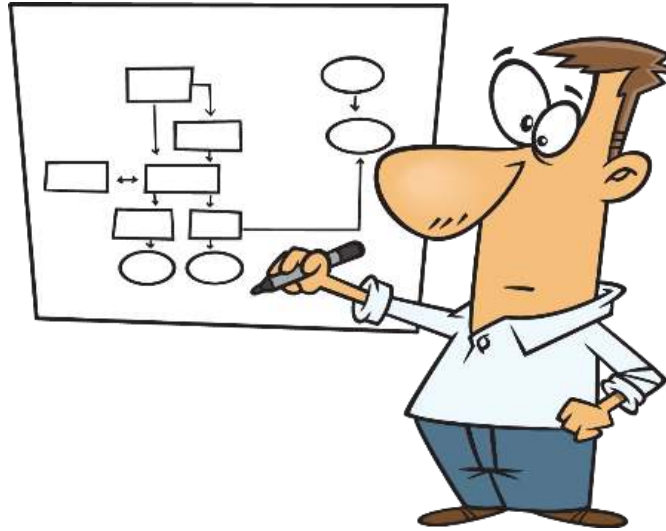
5010-03-**B Budgeted** Wages Department 3

Hopefully, you now see that assigning attributes and identifiers provides us with an excellent method for identifying financial information when used to prepare a chart of accounts.



What's Next ?

Simple Codes



Simple Codes

Types of Coding Systems and their Structure

Earlier we briefly discussed and illustrated some coding systems and how they are used in setting up a chart of accounts. In this section we'll continue to explore the different types of Coding Systems and how they relate to accounting and the chart of accounts.

(a) Sequential

Consecutive numbers are assigned to uniquely identify something. As related to accounting, this something is normally documents. The consecutive numbers are assigned to documents such as checks, invoices, purchase orders, receiving reports, customer payments, etc. in order to control and identify specific documents.

Pre printed forms such as checks or customer invoices with the numbers 0001 thru 9999 assigned are examples of using a sequential coding system.

(b) Blocks or Groups

Block codes use characters (numbers and/or letters) to assign or organize something into special unique groups or categories. The block is actually a range (block) of characters that uniquely identify something. Block codes usually have a fixed length.

Simple Codes

As I stated earlier, **Block Codes** using number ranges, is probably the **most frequent coding method** used when **setting up a manual or computerized charts of accounts**.

Block coding often uses sub-blocks to further identify accounts. A Sub-Block is a grouping or range within a block or within another sub-block that identify subsets of data.

Let's continue our discussion utilizing our earlier example of a block numbering system. If you recall, the example looked like the following:

Example of a Simple Account Numbering System Using Block Coding with Numbers

Eight Blocks of Numbers have been used to assign account groups based on the types of accounts in the following example.

Block Assigned	Type Of Account
100-199	Assets
200-299	Liabilities
300-399	Owner's Equity
400-499	Revenues
500-599	Cost Of Goods Sold
600-699	Expenses
700-799	Other Revenue
800-899	Other Expenses

One limitation of our earlier account codes presented above is that you're limited to 100 accounts of each type. How could I easily provide for 1000 accounts of each group or type ? By simply making the account number 4 digits (numbers) in length instead of 3 digits (numbers) as illustrated below.

Our **new account structure** using 4 digits (numbers):

Simple Codes

Block Assigned	Type Of Account
1000-1999	Assets
2000-2999	Liabilities
3000-3999	Owner's Equity
4000-4999	Revenues
5000-5999	Cost Of Goods Sold
6000-6999	Expenses
7000-7999	Other Revenue
8000-8999	Other Expenses

Looking at our sample table above what does it tell us ?

Simple Codes

- The blocks or ranges identify the different major types of accounts -assets, liabilities, owner's equity, revenue, and costs/expenses.
 - The first block of numbers 1000-1999 is a range of numbers used to create and identify the different types of asset accounts.
 - The second block of numbers 2000-2999 is a range of numbers used to create and identify the different types of liability accounts.
 - The third block of numbers 3000-3999 is a range of numbers used to create and identify the different types of owner's equity accounts.
 - The fourth block of numbers 4000-4999 is a range of numbers used to create and identify the different types of revenue accounts.
 - The fifth block of numbers 5000-5999 is a range of numbers used to create and identify the different types of cost of goods sold accounts.
 - The sixth block of numbers 6000-6999 is a range of numbers used to create and identify the different types of expense accounts.
 - The seventh block of numbers 7000-7999 is a range of numbers used to create and identify the different types of other revenue accounts.
 - The eighth block of numbers 8000-8999 is a range of numbers used to create and identify the different types of other expense accounts.
- Our blocks have a fixed length of four (4 digits). By choosing this coding structure we can only set up 1000 accounts for each block. Using our Asset Block as an example, it is possible to set up a maximum of 1,000 different asset accounts using the numbers 1000-1999. While this is probably more than adequate for small and medium size businesses a big business could possibly outgrow this coding system.

Of course, you could also add sub blocks and extend the number of accounts that could be set up.

If you know the first digit of an account, you can tell what type of an account it is. If the first digit is a 1, the account is an asset, if its a 2, the account is a liability, and so on.

We are limited to where we can insert a new account by the numbers (codes) already used. If you used Account Number 1000 as Cash In Bank but later would like to add A Cash On Hand Account and have it listed ahead of Cash In Bank in your chart of accounts you can't without revising your structure. If you've already been recording transactions, reorganizing your chart of accounts is not an easy task.

Simple Codes

The account Cash which is an asset account would be assigned a number using the block 1000 - 1999.

Let's assign some account numbers using our new 4 digit (numbers) code structure like we did earlier with our 3 digit (numbers) structure:

1000 - Cash

The account Accounts Payable which is a liability account would be assigned a number using the block 2000 - 2999.

2000 - Accounts Payable

The account Sales which is a revenue account would be assigned a number using the block 4000 - 4999.

4000 - Retail Sales

We would continue this process for all the individual accounts that are needed or required for recording and reporting your business transactions.

Your **final chart of accounts** might resemble the following simple chart of accounts:

Simple Chart Of Accounts

Assets (1000-1999)

1000-Cash in Banks
1001-Petty Cash Fund
1002-Accounts Receivable
1003-Inventory
1005-Materials and Supplies
1007-Prepaid Expenses
1008-Deposits
1200-Land
1201-Buildings
1202-Accumulated Depreciation -- Buildings
1203-Tools and Equipment
1204-Accumulated Depreciation -- Tools and Equipment
1205-Vehicles
1206-Accumulated Depreciation -- Vehicles
1207-Furniture and Fixtures
1208-Accumulated Depreciation -- Furniture and Fixtures
1300-Organization Expenses

Liabilities (2000-2999)

2000-Accounts Payable
2001-Notes Payable
2005-Sales Taxes-Payable
2006-FICA Taxes-Payable
2007-Federal Withholding Taxes
2008-State Withholding Taxes
2009-Unemployment Taxes
2200-Long-Term Debt
2205-Miscellaneous Accruals

Capital Accounts (3000-3999)

3000-Owner's Capital Account
3001-Owner's Withdrawals

Sales (Revenue) Accounts (4000-4999)

4000-Retail Sales
4001-Wholesale Sales
4002-Sales-Service

Cost Of Sales (5000-5999)

5000-Cost Of Goods Sold

Expenses (6000-6999)

6000-Salaries and Wages
6001-Contract Labor
6002-Payroll Taxes
6003-Utilities
6004-Telephone
6005-Rent
6006-Office Supplies
6007-Postage
6008-Maintenance Expense
6009-Insurance
6100-Interest
6101-Depreciation
6103-Entertainment
6102-Travel Expense
6104-Advertising
6105-Dues and Contributions

Other Revenue (7000-7999)

7000-Miscellaneous Income

Other Expenses (8000-8999)

8000-Miscellaneous Expenses

I'm not going to leave you hanging. I earlier mentioned sub-blocks and that they could be used to increase the number of accounts, but didn't illustrate or discuss them. One "flaw" in our chart of accounts is that if we have **more than one bank account**, we should set up an account for **each one of them**. How would we go about this ? In order to accomplish this we're going to use a sub-block to identify each of the accounts. Our sub-block for identifying locations is a 2 digit (number) and is represented by the range 00-99. Let's use our Cash Account to illustrate what our account structure now looks like.

Old Structure:

Cash Account

1000 - Cash In Banks

New Structure with a Sub-block Added:

Cash Account

1000-**00** Cash In Banks Bank Account #1

1000-**01** Cash In Banks Bank Account #2

1000-**02** Cash In Banks Bank Account #3

Notice that our account structure can still accommodate ninety seven (97) additional bank accounts with the unused digits (codes) 03-99.

We can attach this sub-block range to each of our original accounts if we need to further identify our accounts. With our old structure we could accommodate a maximum of 8000 accounts (1000 - 8999). By adding our sub-block we can now accommodate 800,000 accounts. How did I arrive at this number ? Well, each account has now be expanded to 100 accounts. If I multiply correctly, $8000 \times 100 = 800,000$.



What's Next ?

Hierarchial Codes



Hierarchical Codes

Structure that resembles an upside down tree structure. Information is classified and grouped into successive levels or layers. I say upside down tree because the root of the tree begins at the top and the tree branches go downward while a normal tree structure has its root at the bottom and the branches go upward. Some examples of this type of structure are a company's organization chart and an ancestry chart. The structure depends on defining **parent and child relationships**.

Using this type of coding system for developing a chart of accounts allows summary, subtotals, and detailed information to be reported.

If you recall, we stated earlier that block coding often uses sub-blocks to further identify accounts. A Sub-Block is a grouping or range within a block or within another sub-block that identify subsets of data. Here, we're going to use block coding with sub-blocks to build our hierarchical chart of accounts.

As they say, seeing is believing, so let's use an example to illustrate. To define our sample hierarchical account structure we're going to use 14 digits (x-xx-xxx-xxxx-xxxx).

Hierarchical Codes

The digits are grouped and are used to **identify the following**:

Digits	Group or Category	Maximum Number of Groups	Sub-Block Assigned	Summary or Detail Account
1st	1	10	0-9	Summary Account
2nd & 3rd	2	100 for each Group Defined in Category 1	00-99	Summary Account
4th,5th, & 6th	3	1000 for each Group Defined in Category 2	000-999	Summary Account
7th,8th,9th, & 10th	4	10000 for each Group Defined in Category 3	0000-9999	Summary Account
11th, 12th, 13th, & 14th	5	10000 for each Group Defined in Category 4	0000-9999	Detail Account

Our example will use the first digit of each account number to indicate the major type of accounts and whether the account is a balance sheet or income statement account. Account numbers beginning with a 1, 2 or 3 will be part of the Balance Sheet. Accounts beginning with a 4 or 5 will be part of the Income Statement or Profit and Loss Statement.

Balance Sheet

- 1 - Assets
- 2 - Liabilities
- 3 - Owner's Equity

Income Statement

- 4 - Revenue
- 5 - Expenses

Let's use a chart to get an idea of how our **Hierarchical Coding** structure might look.

1-Assets			
00			
	000		
		0000	
			0001
			0002
		1000	
			0001
			0002
		2000	
			0001
			0002

2-Liabilities
00
000
0000
0001
0002
1000
0001
0002
2000
0001
0002

3-Owner's Equity			
00			
000			
0000			
			0001
			0002
1000			
			0001
			0002
2000			
			0001
			0002

4-Revenue

00

000

0000

0001

0002

1000

0001

0002

2000

0001

0002

Hierarchical Codes

5-Expenses

00

000

0000

0001

0002

1000

0001

0002

2000

0001

0002

Using this coding structure let's begin building our **Chart Of Accounts** starting with our Assets.

1 Assets - Category 1 Code - 1

Summary Account

Account Balance is the sum of all the Asset Account Balances

Parent of all the Asset Accounts

1-00 Current Assets - Category 2 Code - 00

Summary Account

Account Balance is the sum of all the Current Asset Account Balances

Child of Assets

Parent of all the Current Asset Accounts

1-00-000 Cash - Category 3 Code - 000

Summary Account

Account Balance is the sum of all the Cash Account Balances

Child of Current Assets

Parent of all the Cash Accounts

1-00-000-0000 Cash - Petty Cash - Category 4 Code - 0000

Summary Account

Account Balance is the sum of all the Petty Cash Account Balances

Child of Cash

Parent of all the Petty Cash Accounts

Sub-Accounts

1-00-000-0000-0001 Cash - Petty Cash -Fund #1 - Category 5 Code - 0001

Detail Account

Child of Petty Cash

1-00-000-0000-0002 Cash - Petty Cash -Fund #2 - Category 5 Code - 0002

Detail Account

Child of Petty Cash

1-00-000-1000 Cash - Register / Drawer - Category 4 Code - 1000

Summary Account

Account Balance is the sum of all the Cash - Register / Drawer Account Balances

Child of Cash

Parent of all the Cash - Register / Drawer Accounts

Sub-Accounts

1-00-000-1000-0001 Cash - Register / Drawer - Register Drawer #1 - Category 5 Code - 0001

Detail Account

Child of Cash - Register / Drawer Account

Hierarchical Codes

1-00-000-1000-0002 Cash - Register / Drawer - Register Drawer #2 - Category 5 Code - 0002
Detail Account
Child of Cash - Register / Drawer Account

1-00-000-2000 Cash - Bank - Category 4 Code - 20000
Summary Account
Account Balance is the sum of all the Cash - Bank Account Balances
Child of Cash
Parent of all the Cash - Bank Accounts

Sub-Accounts

1-00-000-2000-0001 Cash - Bank - Bank Account #1 - Category 5 Code - 0001
Detail Account
Child of Cash - Bank Account
1-00-000-2000-0002 Cash - Bank -Bank Account #2 - Category 5 Code - 0002
Detail Account
Child of Cash - Bank Account

To further illustrate our **Hierarchical Chart of Accounts Structure** I created the following table:

Hierarchical Codes

1	Assets		Category 1 Code
	00	Current	Category 2 Code
	000	Cash	Category 3 Code
	0000	Petty Cash	Category 4 Code
	0001	Fund # 1	Category 5 Code
	0002	Fund # 2	Category 5 Code
	1000	Register/Drawer	Category 4 Code
	0001	Register/Drawer # 1	Category 5 Code
	0002	Register/Drawer # 2	Category 5 Code
	2000	Bank	Category 4 Code
	0001	Bank Account # 1	Category 5 Code
	0002	Bank Account # 2	Category 5 Code
	100	Receivables	Category 3 Code
	0000	Accounts Receivables	Category 4 Code
	0001	Customer	Category 5 Code
	0002	Other	Category 5 Code
	20	Property & Equipment	Category 2 Code
	000	Property	Category 3 Code
	0000	Land	Category 4 Code

Hierarchical Codes

0001	Land Development	Category 5 Code
0002	Land Plants	Category 5 Code
500	Equipment	Category 3 Code

What does our table illustrate ?

- The table (chart) is structured hierarchically, with all the accounts listed below and to the right of a given account title adding together to make the total of that given account.
- Accounts are either Summary or Detail accounts.
 - Summary Accounts sum the balances of other accounts.
 - Detail Accounts are the accounts actually charged.
- All parent accounts are summary accounts.
- Some accounts are both a parent and a child.
- Sub block ranges can be the same as long as they are used with different account categories.
- The full 14- digits define the **detail accounts**. The detail accounts are the accounts that actually receive the entries (charges).
- The hierarchical structure is **more adaptable to a computer** than a manual system. Why ? With a manual system when we posted to a detail account we would also have to total and calculate all the balances for the summary accounts. In other words, we would be totalling each category or sublevel and maintaining the balance of the summary accounts. You can definitely count me out of this! Using a computer with the appropriate software, the summaries would automatically be calculated and maintained.

Going A Little Further

What if my business has several Locations and needs to easily determine the total assets for each of the different Locations ? What if my business has several Departments and needs to easily determine the total assets assigned to each Department ?

Unfortunately, the structure of the above chart does not provide us with this type of information. Could we fix it ? You betcha we can. How ? By expanding our coding system and adding additional account identifiers.

Hierarchical Codes

First, we'll add a Location Account Identifier.

1-00-000-0000-0001-**01** Cash - Petty Cash -Fund #1 - Location # 1

1-00-000-0000-0002-**01** Cash - Petty Cash -Fund #2 - Location # 1

Nest we'll add a Department Account Identifier

1-00-000-0000-0001-01-**001** Cash - Petty Cash - Fund #1 - Location # 1 - Department # 1

1-00-000-0000-0002-01-**001** Cash - Petty Cash - Fund #2 - Location # 1 - Department # 1

Now we have the capability of obtaining the information we want.



What's Next ?

Mnemonic Codes



Mnemonic Codes

(d) Mnemonic

Mnemonic means something that aids the memory. Mnemonic coding systems use letters and/or numbers as an aid for identifying and remembering something. If you recall, I mentioned earlier that most codes are **meaningless by themselves**. This is an **exception**. This is a code that conveys meaning by itself. Abbreviations that we commonly use is an excellent example of using mnemonic codes.

A possible use of **Mnemonic Codes** used with a chart of accounts would be using codes similar to the following for identifying and assigning the type of accounts.

Mnemonic Code	Identifies Type Of Account
A	Assets
L	Liabilities
O	Owner's Equity
R	Revenue
C	Cost Of Goods Sold
E	Expenses

Mnemonic Codes

What does the **first character** of our code tell us ? Hopefully, you said the type of account.

A-Asset

L-Liability

O-Owner's Equity

R-Revenue

C-Cost Of Goods Sold

E-Expenses



What's Next ?

Faceted Codes



Faceted Codes

(e) Faceted Alphabetic characters and/or numbers are often used to identify pieces of information called facets that can also be used to define accounts. Each facet is a piece of information. The facets are combined like building blocks to construct an account.

A faceted code is one that is made up of group or category codes (code segments) each of which identifies a unit of information. In constructing a faceted chart of accounts, the complete account code is actually made up of many mini-codes (facets). Each mini-code (facet) tells us something about the account.

To illustrate the use of a faceted code, we're going to use our mnemonic code for the **type of accounts** from above as one of our facets (code segments) and add an additional mnemonic facet (code segment) representing the **account's name** to develop a simple chart of accounts using our earlier example of a simple chart of accounts that used block codes.

We already have our table from the previous lesson for the type of assets, so now we need to define our other facet which is the account name. In this table we're going to use an abbreviated alphabetic code instead of a number (numeric) code like we did in an earlier example.

Faceted Codes

Mnemonic Facit Account Short Name	Account Full Name
RETSALE	Retail Sales
WHSALE	Wholesale Sales
SERVSALE	Service Sales
COGS	Cost Of Goods Sold
SW	Salaries & Wages
CL	Contract Labor
PRT	Payroll Taxes
UTIL	Utilities
TEL	Telephone
RENT	Rent
OFFSUP	Office Supplies
POST	Postage
MAINT	Maintenance
INS	Insurance
DEPREC	Depreciation
ENT	Entertainment
TRVL	Travel
ADV	Advertising

Faceted Codes

DCONT	Dues & Contributions
MISCI	Miscellaneous Income
MISCE	Miscellaneous Expenses

Faceted Codes

Mnemonic Facit Account Short Name	Account Full Name
CA	Cash In Bank
PC	Petty Cash
AR	Accounts Receivable
INV	Inventory
MS	Material & Supplies
PREPAY	Prepaid Expenses
DEP	Deposits
LAND	Land
BLDG	Buildings
ADBLDG	Accumulated Depreciation-Buildings
TE	Tools & Equipment
ADTE	Accumulated depreciation-Tools & Equipment
VEH	Vehicles
ADVEH	Accumulated Depreciation-Tools & Equipment
FF	Furniture & Fixtures
ADFF	Accumulated Depreciation-Furniture & Fixtures
ORG	Organization Costs
AP	Accounts Payable

Faceted Codes

NP	Notes Payable
STP	Sales Tax Payable
FICA	FICA Taxes-Payable
FWHT	Federal Withholding Taxes
SWHT	State Withholding Taxes
UT	Unemployment Taxes
MA	Miscellaneous Accruals
OCAP	Owner's Capital Accounts
OWITH	Owner's Withdrawals

Our last step to build our new simple chart of accounts is to combine or assemble our two facets (code segments), type of assets and abbreviated account name.

Simple Chart Of Accounts

Using Mnemonic Codes and Facets

To create our first account we'll use the **A facet** to identify the account as an Asset and the **CA facet** to further identify the account as Cash. **A-CA** is our first account. We would continue this process of assigning our facets (code segments) to arrive at the following completed chart of accounts:

Faceted Codes

Account	Account Name
R-RETSALE	Retail Sales
R-WHSALE	Wholesale Sales
R-SERVSale	Service Sales
C-COGS	Cost Of Goods Sold
E-SW	Salaries & Wages
E-CL	Contract Labor
E-PRT	Payroll Taxes
E-UTIL	Utilities
E-TEL	Telephone
E-RENT	Rent
E-OFFSUP	Office Supplies
E-POST	Postage
E-MAINT	Maintenance
E-INS	Insurance
E-DEPREC	Depreciation
E-ENT	Entertainment
E-TVL	Travel
E-ADV	Advertising

Faceted Codes

E-DCONT	Donations & Contributions
R-MISCI	Miscellaneous Income
E-MISCE	Miscellaneous Expenses

Faceted Codes

Account	Account Name
A-CA	Cash In Bank
A-PC	Petty Cash Fund
A-AR	Accounts Receivable
A-INV	Inventory
A-MS	Materials & Supplies
A-PREPAY	Prepaid Expenses
A-DEP	Deposits
A-LAND	Land
A-BLDG	Buildings
A-ADBLDG	Accumulated Depreciation-Buildings
A-TE	Tools & Equipment
A-ADTE	Accumulated Depreciation-Tools & Equipment
A-VEH	Vehicles
A-ADVEH	Accumulated Depreciations-Vehicles
A-FF	Furniture & Fixtures
A-ADFF	Accumulated Depreciation-Furniture & Fixtures
A-ORG	Organization Expenses
L-AP	Accounts Payable

Faceted Codes

L-NP	Notes Payable
L-STP	Sales Tax Payable
L-FICA	FICA Taxes Payable
L-FWHT	Federal Withholding Taxes
L-SWHT	State Withholding Taxes
L-UT	Unemployment Tax
L-MA	Miscellaneous Accruals
O-OCAP	Owner's Capital Account
O-OWITH	Owner's Withdrawals

Just a quick review. What does the **first character** of our chart of accounts tell us ? Hopefully, you said the type of account.

A-Asset

L-Liability

O-Owner's Equity

C-Cost Of Goods Sold

R-Revenue

E-Expenses

How about the remaining characters ? They identify the specific accounts, cash, accounts receivable, etc.

If you recall, the advantage of using mnemonic codes is that they help trigger your memory. Which one of these accounts triggers your memory **1000** or **A-CA** ?

Although they both are acceptable and identify the Cash Account, personally, I prefer the mnemonic code structure (A-CA).



What's Next ?

Combination Codes

Combination Codes



(f) Combination Coding System While it might appear that you have to select one type of coding system to use for your chart of accounts this is not necessarily the case. Unless the accounting software you plan on using dictates a specific coding system that has to be used, you can use numbers and/or alphanumeric characters and a combination of hierarchical codes, block codes, faceted codes, and mnemonic codes to develop your chart of accounts.

Mixed codes can sometimes offer more understandability and flexibility than using one type of coding system by itself.

Actually, we've already used a combination coding system for our above simple chart of accounts. We first set up our mnemonic codes that identified and defined information about our accounts and then combined the pieces of information (facets).

Coding Summary

Using codes is not a difficult concept. After becoming familiar with the codes, they allow us to convey a lot of meaning with just a few characters. Think of them as an abbreviation for something. My full name is David William Marshall but my name can be conveyed to those who know me using DWM, a code called initials.

Codes when used with a chart of accounts identify and convey all the attributes (characteristics) of an account that are either needed or required for reporting on and controlling the financial activities of a business. In general, an attribute is a property or characteristic. Color, make, and model, for example, are all attributes of a car. Some attributes that may be assigned to an account are the account name, account description, type of account, normal balance type - debit or credit, etc.



What's Next ?

Chart Of Accounts Importance



Chart Of Accounts Importance

Why Is The Chart Of Accounts Important ?

Setting up a chart of accounts is **one of the first**, if not the first, task you perform when setting up an accounting system whether a manual or computerized system. A business **needs** and should want to know where the money is coming from and where it is going !!! Your chart of accounts is a tool for gathering and organizing this type of information.

A business must have **useful information** in order to be able to survive in today's competitive business world. You notice that I said **information** - raw data is not very useful until it has been "massaged" and summarized into meaningful information. Your accounting system should be designed and used to provide much of this detailed, summarized, and needed information. The information available for your financial reports (summary and/or detailed) often depends on how well you designed your chart of accounts.

One of the **main keys** to a properly designed accounting system is your chart of accounts.

The chart of accounts is the **Foundation** that your financial record keeping system is built upon.



What Needs To Be Considered in Planning and Setting Up A Chart Of Accounts ?

Let's begin by listing and discussing some considerations.

What I call the Goldilocks and the Three Bears Rule: In the fairy tale, as most of you are aware, Goldilocks, a little girl, ventured into the home of the three bears - Mamma Bear, Poppa Bear, and Baby Bear. While there, amongst other things, she tried Poppa Bear's porridge, Momma Bear's porridge, and Baby Bear's porridge. Poppa's was too hot - Mamma's was too cold - and Baby Bear's was just right. In setting up your chart of accounts, you're trying to find the porridge that is just right - not too hot and not too cold. The too cold represents a simple basic chart of accounts while the too hot represents a very detailed and complex chart of accounts. What we're striving for is the just right. In other words, try to keep your chart of accounts as simple as possible yet designed with enough detail to provide the information and reports needed for managing and controlling your business. There is a trade-off between simplicity and the amount of detailed information your business needs.

The Easy Part - many accounts that make up the chart of accounts are obvious and common to all types of businesses such as Cash - Accounts Receivable - Accounts Payable are needed and used by businesses both big and small.

The qualifications and knowledge of your accounting staff whether its just the owner, a bookkeeper, or a full blown accounting department. If you set up a complex system your staff may need special training.

Chart Of Accounts Importance

Your type of business (retail, wholesale, service, manufacturing, etc.), your industry, and your specific business. Even businesses that are the same type and industry might have special or unique requirements. While a service business may not have a need for a Merchandise Inventory Account a retail or wholesale type of business normally would. In addition, there are likely to be differences even among the same type of business. One service business might have only one cash account, regular checking, while another service business might have three cash accounts such as - petty cash - regular checking - payroll checking.

Whether you use the Accrual or Cash Basis of accounting. If you use the Cash Basis, some accounts such as Accounts Receivable and Accounts Payable would not be a part of your chart of accounts.

Complexity of the structure of the business. Is the business a small Ma and Pop operation or a Super Corporate Conglomerate composed of many divisions, plants and departments ? A complex structure will probably require a chart of accounts that provides the capability of reporting on the results of the business segments such as divisions, plants, departments, etc.

The reports you want, are required, and/or need for internal use and to satisfy owners and government or regulatory agencies. First define and determine what reports are required and then determine and set up the chart of accounts that will satisfy your reporting needs. What you're actually doing is working backwards using the reports to determine the structure of your chart of accounts that will be able to supply the information needed for your reports. Special consideration should be given to any Governmental or Regulatory Reporting Requirements that may pertain to your chart of accounts. An example for USA businesses would be IRS requirements to have accounts for meals, officer salaries, travel, and entertainment. Other Countries usually have similar tax rules.

The importance of a logical numbering or coding system that provides the necessary detailed information and is flexible enough to allow you to add accounts as necessary.

Chart Of Accounts Importance

Computerized or Manual System. Keeping track of detailed information manually is time consuming, and few small businesses have the staff to do it. The more detailed the information your business requires, the more likely you are to need a computer and accounting software. While a computer and accounting software are not an absolute necessity for a small business, with the low price and availability of computers and accounting software (some free), I'm hard pressed to think of a valid reason not to use these tools.

Do It Right The First Time ! Even though you can always add or remove accounts, you should attempt to initially do a good job of determining the accounts your business needs. Adding and/or Removing accounts distorts comparisons between periods. Monthly, Quarterly, Yearly, etc. comparisons can be extremely beneficial in analyzing your business.

Let's make a simple list based on our discussion to serve as a simple aid as to what to consider when setting up your chart of accounts.

- Manual or Computer System.
- Financial information and reports needed to manage your business.
- Financial reporting requirements and to whom.
- Information needed to prepare tax returns.
- Information needed for any special regulatory reporting requirements.
- Type of business.
 - Manufacturer
 - Retailer
 - Wholesaler
 - Service
 - Nonprofit
 - Government
- Size and complexity of the business.
- Staff size and capabilities.
- Need for a simple or more complex Coding System.



What's Next ?

Accounting & Bookkeeping Software



Bookkeeping Software

I'm From Missouri - Show Me !!!

Note: For those not located in the USA, our state, Missouri, is nicknamed the Show Me State. The saying "I'm from Missouri - Show Me" is often used anytime someone wants proof or to see an example.

Now that we're hopefully somewhat familiar with the chart of accounts, let's review and take a look at some of the common accounts that are included in a Chart Of Accounts and how they are normally grouped and organized.

I've grouped the accounts into Balance Sheet and Income Statement accounts and provided the following links to pages that provide examples and definitions of the accounts, and explanations and illustrations of how a typical chart of accounts is organized and presented.

Chart of Accounts to use as a guide for creating your own:

[Balance Sheet Accounts](#)

[Income Statement Accounts](#)

Bookkeeping Software

No, I didn't assign numbers or attributes to the accounts. We did that in earlier lessons. Here, I left that part for you to do. What I did do is provide a framework or outline that can be used to build upon. Why ? The simplicity or complexity of your chart of accounts depends upon **your** needs.



Chart of Accounts & Accounting & Bookkeeping Software

Some of the current accounting software programs are even designed without using account numbers (numeric digits) at all and use the account **name** to set up the chart of accounts and identify the accounts and further define the accounts by assigning additional identifiers.

Additional identifiers might include a division code, a department code, a type of account code (asset, liability, equity, revenue, expense), an account group code (current asset, current liability, etc.) and a sequence code (order the account appears in financial reports) that is used to group and report on different segments or activities of the business and provide information for formatting reports. Others make it optional for using account numbers (numeric digits). Many still strictly adhere to a number grouping system using numeric digits.

Some **Useful Features** provided with Good Accounting Software

- Includes sample charts of accounts for different types of businesses (retailer, wholesaler, manufacturer, or service type) and organizational types (sole proprietor, partnership, corporation, etc.).
- Flexible methods of structuring the hierarchy and assigning account numbers.
- User-defined and user-controlled chart of accounts.
- Allows unlimited number of user-defined accounts.
- Flexibility to handle user-defined account number lengths.
- Flexibility to create an organization's hierarchical structure to use for Management Reports.
- Flexibility to define an unlimited number of summary reporting paths for report writing and inquiry purposes.
- Support of control and subsidiary accounts.
- Support of alphanumeric accounts.

Where to find Samples and Additional Guidance

- Many Accounting and Bookkeeping Software Programs have a number of "canned" charts of accounts for different types of businesses and industries that can be used as guides or samples when setting up your Chart Of Accounts.
- Many trade or industry associations provide recommended sample charts of accounts for their type of industry.
- Accounting Textbooks
- Your friendly accountant.
- Internet Searches ????? My searches didn't produce much (that's one of the reasons for this tutorial), but you might be luckier than me.



What's Next ?

Final Review

Final Review



What Did We Cover ?

The **Introduction** defined, explained, and discussed what the chart of accounts is, how it's organized by major account types, balance sheet and income statement accounts, and its purpose. In addition, codes were introduced and defined.

Lesson 1 - How Codes Are Used in Conjunction with Building The Chart Of Accounts introduced you to how to use account numbering or account identifiers to uniquely identify the accounts that make up the chart of accounts.

Lesson 2 - Types of Coding Systems defined, explained, and illustrated some of the different types of coding systems that are used in conjunction with the chart of accounts.

Lesson 3 - Importance of the Chart Of Accounts discussed and explained why the chart of accounts is so important and what needs to be considered in planning and setting up a good chart of accounts.

Lesson 4 - Show Me presented an example of commonly used Balance Sheet and Income Statement accounts that are included in a Chart Of Accounts as a guide to use in developing your own. Also, you were introduced to how the chart of accounts is used with accounting and bookkeeping software and what to look for, and where to find additional help.



What Should You Now Know ?

Putting together all that we just discussed, you should now understand or at least be familiar with:

What

the chart of accounts is.

*As stated earlier, **The Chart Of Accounts** is a listing of all the individual **accounts** in the **general ledger** that contains the account's name, a brief description of the account, and optional other identifiers (codes) or a coded account number assigned to aid in recording, classifying, summarizing, and reporting transactions.*

A chart of accounts can range from very simple to very complex.

Final Review

What codes are and how they're used to assign information and build a Chart Of Accounts.

*The **brain** of your Chart Of Accounts is your coding system. It determines what information and reports you can and can not produce. Just like your own brain, a good coding system allows you to organize, process, store, and retrieve needed information.*

What to consider and think about when setting up a chart of accounts.

How the chart of accounts is closely related to the Balance Sheet and Income Statement.

Where to find samples and additional help.

If nothing else, the

importance

of setting up a good chart of accounts for your business !!!!!

My Last Words Of Advice

Setting up your chart of accounts for a reasonably complex business by hand, as well as recording and classifying your daily business transactions, are time consuming tasks if you choose a manual accounting system.



Congratulations

Final Review

My congratulations to all you Yogi Bears (Smarter Than The Average Bear) For those of you too young to remember, Yogi Bear is a cartoon character created by William Hanna and Joseph Barbara who always claimed to be smarter than the average bear. Hopefully, if I did my job, when it comes to bookkeeping, you can now claim to be smarter than the average bear. No I didn't say you're ready for the CPA exam yet !



Cartoons in this tutorial provided by Ron Leishman. If you enjoyed them, get some of your own

[Toon-A-Day](#).